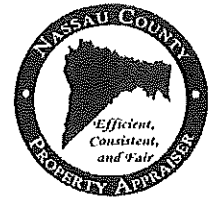




OFFICE OF THE NASSAU COUNTY PROPERTY APPRAISER



A. Michael Hickox, CFA

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MEMORANDUM

DATE: August 21, 2017

TO: Nassau County Taxing Authorities

FROM: A. Michael Hickox, CFA *AMH*
Nassau County Property Appraiser

RE: Homestead Exemption Audit Agreement Background

The Homestead Property Tax Exemption, which is defined by the Florida Constitution, is a valuable benefit for permanent Florida residents. Coupled with the Save Our Homes cap, homeowners tax savings can climb into the thousands of dollars annually. Due to its money-saving benefits, the Homestead Property Tax Exemption is ripe for fraudulent or improper claims. A claim of improper homestead exemption shifts the burden of property tax payments to other property owners, and denies cities, school districts and other taxing authorities of needed revenue.

Florida Statute 196.011 (9)(a) provides a process for filing liens for back taxes, 50% penalties, and 15% interest per annum for a period up to ten (10) years on parcels that receive an undeserved homestead exemption. The amounts collected are returned to the taxing authorities by the Tax Collector. The Property Appraiser does not receive any portion of the funds collected under this statute.

The current method of detecting possible homestead exemption fraud relies primarily on reports from citizens and returned mail from the post office. Many fraud cases come in as tips and complaints from neighbors and the public. In addition, we also rely heavily on our returned, undeliverable mail as a red flag that a homestead exemption is no longer valid. Our homestead department has a staff of about two employees plus a manager. In 2016, this limited staff worked a few hundred cases generated by these reactive methods, resulting in about a dozen new potential liens totaling almost \$245,000 in taxes being collected and paid to the taxing authorities from previously filed liens. From 2013 through 2016, the investigative efforts of this staff have resulted in thousands of dollars in property value being returned to the tax roll countywide, with thousands of dollars in back payments, penalties and interest collected via property liens per applicable State statutes.

There are many cases of homestead fraud that go undetected using these methods. However, there are new technological developments in software and database access that allow companies to run statistical, mass data analysis that we do not have the capabilities to run. This software enables us to uncover potential undeserved homestead exemptions by identifying property owners who receive benefits or have indications of permanent residence in other jurisdictions nationwide.

Therefore, we desire to contract with a vendor who offers a service that will help recover tax dollars for all taxing authorities in Nassau County. They use their mass data analysis software program to detect

possible homestead exemption fraud paired with their trained investigative staff to verify information. They return their findings to our office so that we can validate that the homestead was improper and file tax liens against property owners receiving underserved benefits from the homestead exemption.

We believe that a more aggressive and comprehensive discovery approach of improper homestead will occur if we utilize a qualified third-party vendor versus increasing our staffing to more proactively work this higher volume. We also believe that taxing authorities will receive a greater financial gain using this approach, even after accounting for the fact that a portion of the proceeds will be paid to the vendor, a maximum of 30% of collected liens. If no liens are filed and paid, the vendor will not receive any compensation.

This proposal will require the Property Appraiser and Tax Collector to execute an Interlocal Agreement with each taxing authority agreeing to forego a total of 30% of the proceeds from this effort. Twenty-eight percent (28%) of the proceeds of the lien collections costs are paid to the vendor, plus the Tax Collector's authorized reimbursement rate of 2%.

The Property Appraiser and Tax Collector will select a vendor for this project, using an agreement like the Duval County Tax Collector and Property Appraiser. Currently, other counties such as Brevard, Sarasota and Pinellas have contracts to research homesteads as well, and we have received information from each. We are confident that we can manage this portion of the project expeditiously and professionally.

We expect to achieve the necessary taxing authority agreements by September 2017, allowing us to proceed with the data company immediately. Our Property Appraiser's office analysis and exemption review will also begin. Consequently, to maintain an orderly work flow, we will track cases through the Property Appraiser's office to ensure that both our office and the Tax Collector's office can handle the workflow without additional staffing. Based on the Property Appraiser's previous experience, it is anticipated that taxing authorities will begin to see lien payments in 2018 that will continue into 2019 and beyond as liens are paid off.

The proposal creates a funding mechanism to allow us to review the validity of all residency-based property tax exemptions and should serve to decrease the number of exemptions that are improperly claimed. A copy of the proposed agreement between your agency and the Property Appraiser and Tax Collector is attached as an action item for your consideration.

We respectfully request that you join us in our efforts to reduce the incidence of improper exemptions by executing the attached Agreement. We appreciate your cooperation and look forward to continuing our service to your taxing authority. Please contact our office if you have any questions or comments.

Thank you.